

January 2010

Asset Management Quarterly

An additional service provided as a TD Ameritrade account holder



**Educators
Financial
Services, Inc.**
Registered Investment Advisor

“Teaching Financial Success”

Educators Financial Services, Inc. is here to help you work toward your investment goals.

Market Watch: 4th Quarter End Edition

Indicator	9/30/09	12/31/09	% Change
Dow Industrial Average	9,712.28	10,428.05	7.37%
S&P 500	1,057.08	1,115.10	5.49%
S&P/Barra Growth	539.40	582.37	7.97%
S&P/Barra Value	504.34	525.07	4.11%
S&P 400 Midcap	686.13	726.67	5.91%
Russell 2000	604.28	625.39	3.49%
NASDAQ Composite	2,122.42	2,269.15	6.91%
10-Year Treasury Note	3.31	3.84	16.01%
CRB Index	430.67	484.42	12.48%
Gold (Spot)	1,008.2	1,095.20	8.33%

2010: The Year of the Roth.

Should I Roth or Not?

**David Wolfe, Financial Advisor
Educators Financial Services, Inc.**

2010 rings in a new era for Roth IRAs. In 2010, anyone with an eligible rollover distribution from a company plan or IRA can convert that distribution to a Roth IRA, regardless of income or tax filing status. The \$100,000 income ceiling for Roth conversions is permanently repealed. People with higher incomes and those who are married and file taxes separately can now convert their IRAs. (There are still income restrictions on Roth contributions.)

Who Can Convert?

Traditional IRA owners, individuals with SEP IRAs and Simple IRAs can do the Roth conversions. Plan participants in 401(k)s, 403(b)s and 457 plans can also do Roth conversions as long as they are eligible to take a distribution from the plan and the funds are eligible for rollover to an IRA. Some companies will allow for in-service withdrawals and if they do, you may also be eligible for a conversion.

Spouses who inherit IRAs can roll the accounts to their own IRAs and then convert to a Roth. The same can be done for a spouse who inherits an employer sponsored

plan such as a 401K. Non spouse IRA beneficiaries cannot convert inherited IRAs but a non-spouse beneficiary of a company plan can convert those plan funds directly to an inherited Roth.

Should I Convert or Not?

This will not be the same for everyone but here are a few things to consider:

1. How long do you plan on leaving the money in the Roth once you convert?
Roth IRAs are usually meant for the long term. If you need the money within the first ten years the conversion may not make sense. The longer you can let the money grow tax free the more advantageous it is.
2. Will you need the money in retirement?
Roth IRAs have no RMDs (Required Minimum Distributions), therefore, if you will not need to use the money for living expenses in retirement, the Roth is a great estate planning vehicle. Roth is a way to pass on a part of your estate tax free to your beneficiaries.
3. Do you think taxes are going up?
If you truly believe that income tax rates are on the rise it makes sense to look at the conversion. By making the conversion now you are paying less taxes than if you wait until taxes rise. If you think that income taxes will go down it may not be in your best interest to convert.
4. Can you pay the taxes?
Even if converting makes sense, you should try to pay the taxes with non-IRA dollars. Taking out tax dollars from the conversion amount would diminish the power of the conversion. I would especially recommend not paying the tax from IRA money before 59 ½ as this could trigger an additional 10% penalty for early withdrawals.
5. Do I convert all or part?
The Roth does not have to be an all or nothing proposition. You are able to do a partial conversion. In a lot of cases this may make more sense and be more palatable.
6. When do I pay the Tax?
This can be confusing. There are two options for a 2010 Roth conversion. The first is to include all income on the 2010 return. The second option available in 2010, you can defer reporting the 2010 conversion until you file your 2011 and 2012 returns. If you use this method, 50% of the conversion income will be added to 2011 and 2012 respectively.

So, to Roth or not to Roth in 2010, that is the question??? This question will have a lot of different answers. It may be wise to discuss this complicated issue, with both your Financial Advisor and Tax Preparer.

Registered Investment Advisor Representatives

In addition to working with educators, our financial services representatives are experienced in financial planning for people of all occupational backgrounds. If you know of someone who might benefit from our services, please have them call our toll free number 877-403-2374 or you may choose from the following list of Educators Financial Services Registered Investment Advisor Representatives located in your area.

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Standard Fee Schedule			
		<u>Quarterly Fee</u>	<u>Annual Fee</u>
\$0.00	- \$25,000	0.46%	1.84%
\$25,001	- \$50,000	0.40%	1.60%
\$50,001	- \$100,000	0.32%	1.28%
\$100,001	- \$210,000	0.26%	1.04%
\$210,001	- \$500,000	0.24%	0.96%
\$500,001	- \$1,000,000	0.22%	0.88%
\$1,000,001	and Higher	0.20%	0.80%
*Fixed Income & Cash Mgmt Only		0.15%	0.60%

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